

Global High Conviction Unit Class

TAMIM Fund

At 28 February 2023



The Tamim Global High Conviction unit class was up 0.30% for the month of February 2023, this was in comparison to the index return of 1.98%. Pleasingly the strategy has generated a return of 6.32% over the past 6 months. Since the inception of the strategy it has returned 12.86% p.a. net of fees to investors.

Risk markets now again have to face the fact that inflation is a problem, and that interest rates are not coming down in 2023. Markets will realise we can't kill inflation by depressing consumer demand fast enough since we are also killing supply AND seeing public spending increase. The Fed is fighting loose fiscal policy and simultaneously fighting deliberate supply side constriction – eg Energy policy, the somewhat mis named Inflation Reduction Act. This is NOT something Volcker faced. He had the assistance of declining oil prices, a massive increase in labour supply, (China), and the reduction of union power in the USA, and tax cuts to induce capital expenditures (pre share buy back mania). Powell has a harder job.

Increasing interest rates much further to achieve a 2% inflation target will cause higher unemployment (U3 estimated to be at 6.5% in 2024 by a recent Cleveland Fed study) and possibly interest outlays on debt rising above other government expenditures such as Education and Defense. Neither will be very palatable to a marginal Democrat Congress. Additionally, defaults are already happening in bonds backed by office space – PIMCO and Brookfield are two of the unlikely defaulters; more are likely. As these defaults reverberate, they tend to infect other asset classes and correlations across a hitherto diversified portfolio rise which means diversified is not so diversified.

This belated failure to deal with price and asset inflation and the level of debt we have deliberately injected into major economies in the last 25 years means that one or more of three things happen:-

1. Interest rates are forcibly capped out and we have compulsory purchase of government and state debt issuance to achieve this – Financial Repression much like we had post WW2.
2. The acceptable inflation target is raised from 2% to 4% + allowing rate rises to be more muted, and real rates to remain negative as long as the bond vigilantes remain sanguine – but this means the Phillips curve is back (oh dear) and we may well see a 1970s style stagflation – not good for wealth preservation let alone accumulation.
3. We have a consumer recession and some asset price pain as the Fed asserts its independence by keeping rates where they are, but this creates more political tension and further government targeted fiscal largesse and tax increases on the 'wealthy' as it looks to temper the pain.

The 3rd of these remains our central case but central bankers will shortly be tested by the indignant howls of pain from the heavily indebted who played the speculatively financed investing game. This asset price pain is a significant change from what has been 25 years of “reflating the asset price soufflé at any opportunity”. What worked before and what especially worked in ZIRP is not going to work from here. Sell your concept investments while you can. Think hard about how to diversify since defaults cause problems in places you would have thought immune. There are no easy exits but fortunes tend to be made on the downswing.

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Overview

The TAMIM Global High Conviction strategy is a portfolio of global equities from major developed global exchanges. The portfolio holds approximately 60 of the best ideas from around the globe. The portfolio uses a systematic and consistent approach to stock selection and portfolio construction to deliver strong risk adjusted returns to our clients while focusing on attempting to preserve their wealth.

Key Facts

Investment Structure:	Unlisted Unit Trust
Minimum investment:	A\$100,000
Management fee:	1.00% p.a.
Admin & expense recovery fee:	Up to 0.35%
Performance fee:	20% of performance in excess of hurdle
Hurdle:	MSCI World Net Total Return Index
Exit fee:	Nil
Single security limit:	+/- 5% relative to Benchmark
Country/Sector limit:	+/- 10% relative to Benchmark
Target number of holdings:	50-80
Portfolio turnover:	Typically < 25% p.a.
Investable universe:	MSCI World Net Total Return Index
Cash level (typical):	0-100% (0-10%)
APIR code:	CTS5590AU

NAV

	Buy Price	Mid Price	Redemption Price
AU\$	\$1.1565	\$1.1536	\$1.1507

Portfolio Performance

Inception: 15/07/2011	1 month	1 year	3 years (p.a.)	5 years (p.a.)	Since inception (p.a.)	Since inception (total)
Global High Conviction	0.30%	1.63%	8.28%	7.40%	12.86%	307.97%
MSCI World	1.98%	-0.28%	8.27%	10.02%	12.96%	312.18%
Cash	0.28%	1.82%	0.70%	0.92%	1.86%	23.85%

Strategy inception: 15/07/2011 | TAMIM Fund: Global High Conviction unit class inception: 31 December 2019

Returns prior to 31 December 2019 reflect the Individually Managed Account (IMA) underlying portfolio returns. IMA returns reflect a higher fee structure. Individually Managed Account (IMA) returns will, by their nature, vary from the underlying portfolio and TAMIM Fund portfolio. Should you wish to see your individual return, please log in to your account online. Returns are quoted net of fees and assume dividends/distributions are reinvested. Past performance is no guarantee of future performance. The information provided should not be considered financial or investment advice and is general information intended only for wholesale clients (as defined in the Corporations Act). The information presented does not take into account the investment objectives, financial situation and advisory needs of any particular person nor does the information provided constitute investment advice. Under no circumstances should investments be based solely on the information herein. You should seek personal financial advice before making any financial or investment decisions. The value of an investment may rise or fall with the changes in the market. Past performance is no guarantee of future returns. Investment returns are not guaranteed as all investments carry risk. This statement relates to any claims made regarding past performance of any Tamim (or associated companies) products. Tamim does not guarantee the accuracy of any information in this document, including information provided by third parties. Information can change without notice and Tamim will endeavour to update this document as soon as practicable after changes. Tamim Funds Management Pty Limited and CTSP Funds Management Pty Ltd trading as Tamim Asset Management and its related entities do not accept responsibility for any inaccuracy or any actions taken in reliance upon this advice. All information provided in this document is correct at the time of writing and is subject to change due to changes in legislation. Please contact Tamim if you wish to confirm the currency of any information in the document. The MSCI World refers to the MSCI World Index in AUD. Returns shown for longer than 1 year (other than Inception) are annualised. All returns shown are AUD denominated.

Selection of 5 Holdings

Stock	Country
Johnson & Johnson	USA
Home Depot Inc	USA
KLA Corporation	USA
Fujifilm Holdings Corporation	Japan
Sony Corporation	Japan

Portfolio Profile

Equities	97.59%
Cash	2.41%

